

# Multi-Family Housing

## Section 538

### Guaranteed Rural Rental Housing Loans

**PROGRAM DESCRIPTION:** Loan guarantees are provided in partnership with public and private lending institutions to provide rental housing for low and moderate income households in rural areas.

**TYPE OF ASSISTANCE:** Loan purposes include new construction, and purchase and rehabilitation of existing housing projects. Focus will be on the creation of new units and related facilities, not refinancing. Eligible housing types include family, elderly, modular and manufactured structures, and congregate.

**ELIGIBILITY REQUIREMENTS:** Borrowers may be nonprofit corporations, public bodies, or for-profit entities. Eligible lenders are those approved and currently active in the HUD/FHA, Fannie Mae, or Freddie Mac multifamily housing programs, and State or local housing finance agencies, members of the Federal Home Loan Bank System or other lenders who receive approval from Rural Development. Eligible tenants are those with household incomes that do not exceed 115% of the area median income.

**FUND AVAILABILITY:** The guarantee budget authority will be published as an annual Notice of Funds Availability (NOFA) in the Federal Register. Lender responses will be accepted each year during the NOFA response time. The guarantee will be limited to 90 % of the loan amount.

**INTEREST RATE:** The interest rate will be negotiated between the lender and borrower and must not exceed the maximum rate specified in the annual NOFA. The loan must bear a fixed rate of interest over the entire term.

**TERMS:** Terms of loans guaranteed may be up to 40 years & must be fully amortized. Loans must remain affordable to eligible households for the term of loan-this requirement is statutory.

**FEES:** A fee of \$2,500 will be collected when a formal application is filed. The initial loan guarantee fee is 1 percent of the note principal amount times the percentage of guarantee. The annual renewal fee is 0.5 percent of the outstanding principal amount of the loan.

**CREDIT REQUIREMENTS:** A 3 percent equity contribution will be required from nonprofit or public body owners. A 10 percent equity contribution will be required from for-profit owners.

**CONTACT:** NOFA information, application packets and a list of designated places (target communities) are available through the Multi-Family Housing division at the USDA Rural Development state office in Phoenix, AZ at 230 N. First Avenue, Suite 206, Phoenix, AZ 85003, 602-280-8765.